

**TRANSFORMING OHIO'S RURAL ECONOMY: THE CASE OF MILAN
TOWNSHIP'S BUSINESS INCUBATOR PROGRAM**

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ABSTRACT

Rural areas are losing their vitality based on measures of population growth, average age, and tax basis. The current economic development tools available to rural areas are insufficient at providing the necessary catalyst for revitalization. This descriptive case study on the U.S. midwestern state of Ohio finds that rural areas have underserved industries which could be satisfied via new business establishment. Upon further study into an economic development initiative implemented at the township level, it appears beneficial to focus rural revitalization efforts through a community-led business incubator program. Centering the program around area needs, civic engagement, and the alleviation of initial start-up costs, each community can take both an active and effective part in revitalizing their local area.

Key words: rural entrepreneurship, economic development, business incubator, civic engagement, abatement, revitalization, start-up assistance

1) INTRODUCTION

Rural areas are losing their vitality as evidenced by recent trends, such as the increase of average age within rural areas, minimal population growth, and the resulting reduction in local and property taxes which are the lifeblood to fund services for the community. From 1970 to 2008, the proportion of retirement age populations within rural areas increased by 2.7% (Henderson and Akers, 2009). Felix et al. argue that this increase in age demographic results in a reduction in income tax revenue of the local area (2011). With less municipal funding, the cycle of decay will perpetuate as the community will receive less infrastructure improvements, making it a less desirable destination, which further reduces the area tax base, only to continue the spiral downwards. Based on current growth statistics, the cycle has yet to correct. Rural areas that are void of a central city grew at only 1.8% while the entire United States averaged a 9.7% growth in population (Zager, 2011). Part of this reduced growth can be attributed to a net migration by young adult populations from farm and agriculture dependent counties to more metropolitan areas (Henderson and Akers, 2009). With the reduction in young adult populations, fewer families are being established within the rural area, resulting in an increase of the average age of constituents as the years progress.

The current tools available to rural areas do not appear to be effective in providing the desired revitalization. For example, consider the policy to offer new or existing businesses tax abatements. The alleviation of tax expenses for a set amount of time is used in an attempt to attract new business development and commercial growth. However, their use has shown to provide marginal benefit at best, while at worst results in an overall loss of tax revenues (Dalehite, et al., 2005). Unfortunately, beyond the use of this marginal tool, the presence of a uniform economic development policy within rural areas appears quite limited (Honadle, 1993).

I argue that creating a targeted and uniform economic development policy is necessary to halt and eventually reverse the rate of decay of rural communities.

My research focuses on the use of an economic development policy centering on the creation of a business incubator program within the area under study but driven by the local community in terms of a selection process. While business incubators have been a tool in urban development zones (not rural), they have been shown to generate additional jobs, retain those jobs within the community of establishment, and provide long-term residual benefits (Kourtiti, et al., 2011; Stokan, et al. 2015; Aernoudt, 2004; Sentana, et al., 2016). Particularly in the rural village or township—one that is smaller in population—I argue that it is essential that the program involves the community, as they will have the best understanding of the needs of the local area (Robinson, et al., 2002). Thus, this adaptation of the programmatic structure of a business incubator, with a civic selection component to better align with the needs of the rural community, should improve both the chances of business success and the larger impact within the community.

As a case study, this paper will demonstrate the structure of one such program. Milan Township, a government entity with a population of 3,606 (including 1,004 within the incorporated village) is one community within this cycle (U.S. Census Bureau, 2012). In seeing the ability of business incubators to be a catalyst for economic development and their relative absence within rural areas, the Milan Township Board of Trustees decided to implement one for the township's revitalization. By renovating a previously vacant government office space, this single tenant business incubator program hopes to foster an entrepreneurial spirit in the community while also assisting the area of commerce in which business is conducted, towards achieving full storefront capacity.

This thesis will present the problem of decaying vitality within rural areas as well as to propose a solution. In doing so, this body of knowledge hopes to answer the following research question: *Are business incubator programs a feasible and beneficial economic development initiative for rural area communities?* It is organized as a single case study (Milan Township) with propositions to investigate further as my contribution to the literature on economic development and policy. I will show that area-led economic development initiatives show potential to revitalize the rural area, using a variety of metrics. The exhibits contained serve as a procedural outline and adjustable framework, and one that can be adapted to fit the needs of similar rural communities.

This paper is organized in the following manner. First, a review the existing literature to frame the problem and my research question. Next, the case study with the method that was followed, and the results of the case study. This will be followed by a discussion whereby a model for rural area revitalization will be presented. This research concludes with limitations on the study and suggestions for future research.

2) LITERATURE REVIEW

In order to better understand the topic of inquiry, an extensive review of prior academic works must be completed. This review analyzed trends found in rural areas, the current efficacy of local economic development initiatives, and the current implementation of business incubators. Through the process of reviewing these three factors, a narrative emerged. In identifying rural area trends, I'll show that the areas themselves are losing vitality based on measures of population growth, age, and area tax base. The efficacy of local economic development initiatives will describe mixed success and will also show objectives to be skewed

towards macro-economic outputs, such as job creation. Understanding the current implementation of business incubators will demonstrate the reality that programs of this type are typically absent in rural areas even though they can be seen to have positive impact on economic development. As a result of these observations, I'll argue that the implementation of an economic development initiative, modeled off a typical business incubator, shows promise to increase the vitality of a rural area with greater efficacy than other tools currently used.

2.1) Prevailing Rural Trends

In taking a macro-economic look at the current atmosphere of rural areas, the need for a focused revitalization effort becomes apparent. This stems from a lag seen by rural areas relative to their population growth rate, average age of residents, and reduction of area tax base. From 2000-2010, areas classified as rural having no urban core—urban core is defined as a population greater than 10,000—grew very slowly at 1.8%, compared to the 9.7% growth seen by the United States as a whole during the same time frame (Zager, 2011). Another study found that 42% of rural counties underwent a decrease in net migration between 2012-13 and 2016-17 (Cromartie and Vilorio, 2019). With regards to the average age of residents during the past 40 years, retirement age populations have increased overall, making a larger proportion of the tenth federal district's rural population. This district is comprised of predominately rural states located within the center of the U.S. (Wyoming, Colorado, Kansas, Oklahoma, New Mexico, and Utah). In 1970, 12.9% of the total population fell within the definition of retirement age populations. By 2008, it was 15.6% of the total population (Henderson and Akers, 2009). Another phenomenon contributing to the increase in average resident age within the rural population is that young adults are leaving their hometown rural areas and choosing to live in larger metropolitan areas. From 1980 to 2000, counties deemed farm dependent experienced severe declines in their young

adult populations, with a 33% decline in the late boomer cohort—defined as individuals born from 1960 to 1964 (Henderson and Akers, 2009). As younger and typically more educated residents decide to relocate to urban areas, it creates a situation where many rural areas develop populations that continue to grow older and tend to have less formal education. If this cycle persists, it results in weaker economic development (Mayer et al., 2017). Having a population within a rural community that is consistently composed of non-working retired individuals will create economic strains in the community. In an estimate provided by the Federal Reserve Bank of Kansas City, the population segment of age 65 and older is projected to expand from 2011's 13.3% of total population to 18.6% in 2030. This demographic change alone, all other things equal, is estimated to reduce the income tax revenue of the local area by 2.4% per capita (Felix et al., 2011). This reduction in tax revenue will then translate into less municipal funding for road repair, capital improvements, as well as other governmental expenditures.

For the purpose of this paper, *vitality* is defined as an area with stable population growth, an average age that is on par with national averages, and a robust tax base. With this lens, the focus of rural area revitalization will encompass an increased rate of population growth, reduction of the area's demographic average age, and an increase in the area tax base. This makes retaining human capital, especially young professionals, a significant and important challenge for rural areas (Mayer et al., 2017).

A current push seen in rural America is to increase the area's appeal such that young or middle-age adults will choose to start their family there. An important element in that choice will be the availability of employment within the area (Crabtree, 2016). To increase the availability of employment, rural communities need to develop their business environments, as well as other amenities (Henderson and Akers, 2009). In order achieve that development and grow their

business environment (with a subsequent increased tax base), it is often the case that local governments will relentlessly compete to attract new firms as well as higher income residents. To accomplish this, local governments may divert policy efforts and funding towards growth activities such as business attraction, at the expense of other activities. (Lobao and Kraybill, 2009) Using township government activity as an example, this diversion of policy efforts may result in less infrastructure repair of township roads, lower salt reserves for the winter months, and a longer time horizon for upgrading fire equipment.

Prior literature has shown that successful rural development requires collaboration with government, businesses, and private sector institutions (Drabenstott, et al., 2004). These policies should be further combined and coordinated with people-based policies (Rickman, 2007). These people-based policies are ones that involve others at a personal and individual level. In particular, the civic community, the area's constituents, should have a role in the rural development process (Robinson, et al., 2002). This reality exists due to the typical tightknit nature of rural villages/towns. The community itself would be best at understanding their own needs and could assist in developing the area, providing economic growth towards prosperity (Robinson, et al., 2002). This desire for prosperity, evidenced from civic involvement, showcases a willingness to grow with the area. Using survey data from Australian constituents, respondents showed support for a multifunctionality policy similar to that of the U.S. While there could be tradeoffs between the environment, agricultural production, and rural population levels, it also shows that the area's constituency is willing to pay to avoid reductions in rural populations that result from environmental preservation policies (Bennett, et al., 2004). Individuals want to keep these communities alive and thriving. Australian constituents are considered an adequate

substitute to the atmosphere present in America as both countries operate under democracies, both are meritocracies, and the proportion of individuals living within rural areas is comparable.

As individual rural areas themselves are all unique, successful economic development may require implementation of multiple strategies, which ultimately will have to be tailored to the circumstances of the area (Rickman, 2007). The strategy used to develop a rural area with a median income of \$60,000 will be different than the strategy used in another area that has a median income half of that. It is important to note that the study of local economic development provides no consensus regarding the role of demographics, socioeconomics, or policy factors. For the purpose of this research paper, assumptions will be made regarding civic community involvement. There will be an understanding that there may be biases present within a specific community would have an effect on the nature or distribution of the economic development (Shuai, 2015).

Karl Stauber, in a 2004 economic review, outlined a development model centered around spurring entrepreneurship as one of the current economic development models used in rural America. Furthermore, he argues that the entrepreneurship model is the most underutilized in the country but also holds the greatest potential for rural regions (Drabenstott et al.). The Center for Rural Affairs of Nebraska recognized this and established the Rural Enterprise Assistance Project (REAP) which over its 25-year existence has issued over 1,000 small business loans with a 2014 average of \$17,246 (Crabtree, 2016). If the rural area has the store-front capacity for a start-up business, and the entrepreneur has a defined business plan, then REAP will provide funding for that entrepreneur to move into the town/village.

While it is important to establish a need for rural economic development, it is also important to identify the relative deficiency in rural development policy. This deficiency is due

to a variety of reasons. The first stems from the stereotypes that exist about rural areas. Being romanticized for their perceived simplicity and assumed to be simply a farming area does not spark developmental policy conversations. Furthermore, when deliberating allocation of funds between rural and urban areas, there does not appear to be a compromise in regard to fund allocation. The typical viewpoint on either side is that allocation to one entity is perceived as removal from the other. With this dynamic, politicians will seek to maximize the benefit of the funds and typically allocate them to urban areas where there exists a larger pool of voting constituents. This decision is reinforced by the reality that rural populations are declining. However, this last statistic is exactly why developmental policy should be implemented for rural areas. Even rural developmental policies that are currently in place are often the first to be placed on the proverbial chopping block for budgetary cutbacks. History shows that it is not surprising if these programs experience a cut in funding, are required to coordinate with a similar existing program, or generally have very limited access (Honadle, 1993).

2.2) *Local Economic Development*

Local economic development could have a variety of definitions when based on various outputs. For this research paper, *local economic development* will be defined as “the process of creating wealth through the mobilization of human, financial, capital, physical, and natural resources to generate marketable goods and services.” Further, the role of the *local economic developer* will be to “influence the process for the benefit of the community through expanding job opportunities and the tax base” (Thomas, 2001).

One way in which government entities have historically been able to spur economic development is through the use of tax abatements. Tax abatements arose in the 1930s with southern states attempting to recruit manufacturing firms. These southern states were enticing

firms to move south, and tax abatements were used to offset the relocation costs incurred by the firms. While tax abatement policies have grown to nationwide implementation, their benefits and drawbacks are constantly debated. Some view abatements as incurring high recruiting costs, others view it as a zero-sum game, and there are those that think abatements are a government led effort that distorts the market. Distorting the market refers to the over inflation on the local economic scene due to the abatement policy favoring large, capital intensive industries such as manufacturing. This disproportionally positions specific industries within the area and may become unappealing for other industries looking to establish. On the other hand, some view abatements as a way to spur individuals into starting or moving their business, as well as a means of diversifying the local economy through the addition of previously unrepresented services/industries. Further arguments can be made regarding the indirect benefits of new business establishment due to an abatement program (Loveridge and Nizalov, 2007).

Expanding on the perceived positives and negatives, research completed by Gabe and Kraybill in 1999, indicate that a tax credit program created a positive impact on job creation. They determined that 63-68% of the jobs created in Ohio during the span of 1993-1995 were from firms that received tax credits. Another study (Faulk, 2002) during the same time frame (1993-1995) yielded similar results. Employment tax credits offered in the state of Georgia created 23-28% more jobs when compared to eligible firms that neglected to take the credits. Faulk's research went further to outline that on a comparative basis, firms that received the tax credit saw $\approx 60\%$ more employment growth than a similar sized firm that did not receive abatement.

Other studies have documented that even in the instances where positive outcomes occur, abatements did not correlate into the desired levels of growth, and therefore are an inefficient

deferral of tax revenue. When growth expectations are not met, the abatement program could be viewed as overly generous to the new business. With partial efficacy, the abatement should be scaled back to the manner in which the outcome is a net positive for the municipality (Dalehite, et al., 2005). Also, the implementation of tax abatement policy has the possibility of an additional negative effect due to current firms threatening to leave unless similar treatment is provided via abatement (Wolkoff, 1985). A growing dilemma regarding tax abatements is the reality that they are widely used. Research argues that this vast use makes the development tool moot. It is possible that the tool is being transitioned to an expectation, reducing its competitive bargaining potential. Stemming from the expectation of abatements, a question typically surfaces around whether the firm would have established within the area without the incentive (Gabe and Kraybill, 1999). While a company may be swayed due to economic incentive, there are a variety of factors that decide location, and some argue that abatements are simply forgoing tax revenue to businesses that would have already established there.

The same abatement study also found that local Michigan tax abatement policy is rarely evaluated nor are the requests typically rejected (Sands, et al., 2006). This lack of discipline further degrades the efficiency of the tax deferral. Thus, full tax abatement has too small an influence upon firm investment decisions (Wolkoff, 1985). In reality, tax incentives are only one factor in that decision. One must also factor in the education system, amenities/quality of life, infrastructure, labor access and agglomeration benefits (Rainey and Mcnamara, 2002). In response, Warner believes that a balanced approach, which includes more business incentives, focusing on the transaction and labor costs incurred by a business, may have more impact than incentives focused only on tax abatements (Warner and Zheng, 2013).

Benefit and drawback arguments aside, prior research shows that there was an increase in the use of business incentives following the 2008 recession. This increase in incentives was twofold. First, the primary goal of entities when implementing incentive programs was to redevelop the economy to emerge out of the recession. However, the second reason for the increase in programs was due to an increase in attention to firm accountability. The firms that participated in the programs now must meet certain goals or deadlines and the program's nature became more structured as a result (Warner and Zheng, 2013).

For a more detailed understanding behind current economic development tools, let's shift the focus from a national to a state perspective. Being a midwestern state with a large rural constituency, especially in the southeastern region, let's consider the tools currently leveraged by rural areas within the State of Ohio. Within Ohio, there are a series of avenues in which municipalities can provide abatements. One such way is offered through The Ohio Enterprise Zone Program. This allows local governments to offer tax abatements on greenfield developments as a tool to attract companies to the location. Abatements are also offered through the Ohio Community Reinvestment Area program. This program gives a property tax exemption for businesses who commit to renovate existing, or construct new buildings, for the purpose of developing housing (Ohio Attorney General, 2017). This is typically used to establish low-cost senior housing developments.

Outside of tax abatements, various Ohio government entities have the ability to provide Tax Increment Financing (TIF) as a mechanism to finance public infrastructure. TIF's redirect new property tax revenues to a targeted debt retirement fund. As an example of their efficacy, the activity levels within Ohio's TIF districts since 1975 show a significant growth trend in their use and subsequent outcomes, in terms of investment and job creation (Lannone, 1999). Further

research shows the use of tax increment financing and tax abatements to be positively related with median income in 2000 and 2010 with increases in income between 2000 and 2010 (Reese, 2014). While tax abatements have arguments on either side of the fence, TIF's can be seen as a powerful tool for neighborhood economic development (Smith, 2009).

Where some of the tax credit programs fall short is in the disproportionate nature by which they favor large establishments. This neglects the reality that small businesses are the main drivers of job growth. Research has described businesses with less than 20 employees as creating 2/3 of the new jobs during the time frame of 1960-1976 (Birch, 1979). Fortune 1000 companies, on the other hand, generated less than 10% of new jobs created during the time frame of 1969-1977 (U.S. Congress, 1978). This trend also holds true more recently within the State of Ohio. It is important to note that small business employees make up 46.2% of all employees within the State of Ohio and during 2013 netted 11,689 jobs (SBA, 2016). The benefits received from the tax credits would also impact a small business more than a large corporation as the credit represents a larger proportion of their operating expenses. It is important to note recent research has demonstrated that the growth seen within rural areas is mostly attributed to areas that are adjacent to metropolitan districts. For these communities, tax incentives could be a determinant for firm location. For rural areas that are not adjacent to a metropolitan area, tax incentives may be a poor use of tax breaks (Rainey and Mcnamara, 2002).

A prominent facet of economic development initiatives within rural areas is the overall investment within the community. Whether this is used to grow the company or to increase presence within the community, expanding the local economy is paramount to success. Prior research has been conducted to assess the impact that abatement had on firms' establishment and development. Responses demonstrate an abatement's impact as being influential on the

expansion of a company with 80.1% of respondents stating that their investments were indeed influenced by the abatement they received (Morse and Farmer, 1983). These investments and further economic development can have a more profound effect on the community. The effects are described best by the Lincoln Institute of Land Policy in their Policy Focus Report: “When these incentives attract new businesses to a jurisdiction, they can increase income or employment, expand the tax base and revitalize distressed urban areas (Kenyon, et al., 2012).” This same revitalization can occur in rural areas with even more efficacy. Being able to redevelop a town’s existing infrastructure and improve the area’s economy allows for a systematic gentrification (Kenyon, et al., 2012).

2.3) *Business Incubators*

Over the past few years, the term business incubator has become a buzzword within the entrepreneurship and business community. The term business incubator falls into an umbrella of definitions. For the purpose of this study, we will use Aernoudt’s definition of a *business incubator* as “an interactive development process where the aim is to encourage people to start their own business and to support start-up companies in (their) development”. He further goes on to categorize the different types of incubators based on their objectives. In particular, this study will be looking at incubators whose focus is on the development of the region they occupy (Aernoudt, 2004).

In a case study of a publicly funded small business incubator located in Atlanta, called the Advanced Technology Development Center (ATDC), Mann-Whitney (2002) tests showed positive effects of incubator participation. The effects deemed positive were employment growth rates, sales growth rates, accessing labor, accessing financial resources, and technology transfer, all factors that direct business growth and sustainability (Phillips, 2002). Further research shows

that business incubators are associated with job growth and that growth is not diminished by incubator selection bias. The referred to bias is a reality that because business incubators have a vetting process, the selected tenants are, on average, more likely to succeed than non-incubated firms and therefore create more jobs stemming from the business' success. This study found incubators to generate 49% more jobs than non-incubated firms (Stokan et al., 2015). It is important to note for the desired outcomes of rural revitalization that most graduates of incubator programs (84%) remain in their local communities (Aernoudt, 2004). Further, from a municipal cost perspective, the estimated public subsidy cost per job created was \$1,100 (Aernoudt, 2004).

When the profitability of incubator programs is analyzed, they are profitable from more than just an economic perspective. One must expand the assessment to include the return of investments as a result of corporate and income tax revenue for the municipality in which they are located. This coupled with the social security contributions by the establishment allows for profitability to be achieved. This distinction is important as it requires the governing entity of the incubator to have a mid-to-long time horizon. Due to the initial cost of establishing a program the entity must have foresight regarding the residual benefits within the community, which often takes years to realize. From this perspective, business incubators are perfect for community development initiatives implemented by local municipalities (Sentana, et al., 2016).

Beyond profitability, studies show that interaction with a business incubator and the management team within the program has shown to result in an increase of the firm's reputation. Reputation carries a large amount of social value and is very important to a business (Studdard, 2006). While social value is important to all businesses, when being specific to the context of rural establishments, the impact of word of mouth within a close-knit community makes

reputation paramount to business success. This reputation is pivotal in establishing a consistent, recurring client base throughout the area.

While business incubators have shown promise in achieving the desired economic development within rural areas, the current reality of incubator implementation is not in the same alignment. In studying the demographic factors of the business incubators throughout the nation, most incubators in the lower 48 states are concentrated in urban areas. In fact, in a quarter of all states, there were no business incubators located within rural areas (Kourtit, et al., 2011). Proportionally, 78% were located in metropolitan areas, 15% in micropolitan areas (10,000-50,000 in population), and 7% outside urban core-based statistical areas. This is important as there appears to be a deficiency in the presence of business incubators within the typical rural area environment (Qian, et al., 2010). While there may be a deficiency regarding rural business incubators, it is typical for business incubators in this environment to be less successful. When incubators are located in economically challenged and rural regions, they typically operate with small or insufficient budgets as well as fewer promising new businesses to assist. These characteristics support previous research showing that incubators in rural regions do not perform as well as those in urban regions. Rural entrepreneurs typically earn 37.4% less than urban entrepreneurs, however this is not the full picture. When viewed relative to the earnings of others employed in rural environments, rural entrepreneurs are expected to earn 15% more than rural workers. In response to the observed deficiency of rural entrepreneur profitability, business incubators are more likely to be put into economically depressed areas and attract entrepreneurs that are in greater need of support (Cumming and Li, 2013). This need based criterium may affect the selection process in a negative manner.

The observed deficiency and aforementioned profitability relative to the area presents an interesting dynamic that shows entrepreneurship to be an impactful means of increasing area earnings and consequentially, the local tax base. This new business can come from either internal or external entrepreneurs. While bringing in outside business to the community will benefit the local economy, prior research has found that when the potential incubator tenant is from a rural origin, they are more likely to establish their business within the same or a similar rural area. Previous studies show that when location is used as a proxy for embeddedness, there is a significantly higher likelihood of rural entrepreneurship (Yu and Artz, 2018). With this outline, rural entities must begin to increase both the appetite and the ability of entrepreneurship within their community.

In discussing rural entrepreneurship, a concern typically arises regarding the capacity of a rural area to properly maintain the revolving door of new start-up firms. This concern assumes that communities can support the establishment of only a limited amount of businesses and not maintain support consistently every few years as a business incubator program does. Prior research used discriminant analysis to determine whether incubator quality and regional capacity were predictors of incubator tenant outcomes. While there was speculation, similar to the aforementioned concern that factors external to incubators may drive their success, this study found incubator quality to have the strongest relationship with outcomes. This shows promise for a rural incubator setting. While most rural areas may not have a similar regional capacity to that of metropolitan areas, if the business incubator were to have a ‘best practices structure’, it has promise to provide positive outcomes (Harper-Anderson and Lewis, 2017).

A similar program to that of a business incubator that could have a compounding influence on new business development would be to establish a makerspace within the area.

Makerspaces are a type of economic development effort that have come to popularity lately. These ‘fab labs’ are established to spur the community towards innovation. The process is typically structured around an institution of higher education receiving a grant for high-tech fabricating equipment such as a CNC-type router, etcher, 3D printer, and so on. As a part of the grant, the institution is to open the space up to the public for their use. Most locations offer introductory classes that teach the skills needed to operate the equipment. With this high-end equipment, subsidized material costs, and skill development classes, makerspaces increase user innovations which will result in greater entrepreneurial interest. Even from an individual entrepreneurial perspective, makerspaces serve as great locations to prototype before going to market (Holm, 2017).

2.4) Gaps in the Literature Leading to the Research Question

As a result of the literature review, various deficiencies surfaced and are outlined. Previously, I showed that rural areas are losing their vitality based on measures of population growth, average age, and area tax base. These rural areas are unable to keep population growth levels in comparison to metropolitan areas. Coupling this with the net migration seen by area youth to those areas, the increase in average age will decrease an entity’s ability to provide infrastructure improvements throughout the area creating a systemic decay. Two gaps stemming from this loss in vitality are that rural areas do not have sufficient policy in place to correct these prevailing trends and that the current economic development tools allotted to rural areas fail to provide the necessary amounts of growth.

One policy tool presented within the literature review was the use of tax abatements, which revealed a gap in the application of policy theory to practice. When viewed in solidarity, the results of the venture were determined to be marginal and, in some studies, unjustified for the

tax deferral given up by the entity. It was further concluded that tax abatements widespread use throughout the country in conjunction with the various other factors present when establishing a business make the development initiative inefficient at gaining consistent business.

The literature shows a gap in the use of business incubator programs throughout rural areas. In order to address this gap, rural areas should consider implementing an economic development initiative that spurs growth within the community, has strong civic involvement, and provides more tangible cost relief in the form of rent and utility expenses. With this consideration, I argue for a study that is centered around a business incubator program, is implemented by the area's government entity, and is directed by community input. Such a study will show an increase of entrepreneurship within the area. Resulting from this business establishment that is operated by typically younger individuals, I suggest that the area will see a resulting increase in vitality over time. Therefore, the research question driving the development of this thesis is:

Are business incubator programs a feasible and beneficial economic development initiative for rural area communities?

To answer the research question, a case study will be completed using the various conditions present within the midwestern state of Ohio as well as the economic development initiative implemented within Milan Township. Our attention will now turn toward the methods section that outlines the conducted case study.

3) METHODS

3.1) Methodology

In defining the nature of the case study, the structure is based on the framework established by Baxter and Jack. Following on the constructivist paradigm established by both Stake and Yin, interpretations of common occurrences are to be based on relativity and the perspective of the individual. A core assumption under the constructivist framework is that discovery and interpretation occur concurrently (Boblin, 2013). This allows for the narrative of the case to evolve as more information comes to light. I selected a single case study method because of its ability to cover the contextual conditions relevant to the decay witnessed by rural areas. This style of study lends the case to be more descriptive in nature than explanatory. In describing the relevant conditions, the study does not provide causality for the occurrence. Without this ability to observe the phenomenon, a single case with embedded units will be used to explain it. By looking at sub-units within the larger case, the phenomenon will be better explained. This explanation will be further elaborated using propositional statements (Baxter, 2008).

With the framework established, the case study will center around three main sub-units. The first will be to study the ability of rural areas to sustain a business incubator program and will be supported by assessing the business needs within the area. Identifying the reality that a new business could satisfy an underserved industry will support the narrative of entrepreneurship as a means of increasing area vitality. This factor will first be measured via a county-wide analysis of the state of Ohio. To further expand upon the business needs of individual rural areas, a township-wide economic development survey was sent out to various township officials throughout Ohio. This survey will measure both the capacity of rural areas to support a business

incubator program as well as the financial ability to initially fund and maintain the program. Capacity will be assessed within the economic development survey as a prompt for township officials to describe the quantity and quality of the vacant storefronts contained within their area of commerce. Financial ability will be assessed within the survey as a prompt for township officials to state their general fund balance and will be compounded by the stated interest of implementation. Further assessment regarding financial ability will be observed through a discounted cash flow analysis as well as the process of implementation within the Milan Township community.

3.2) County Profile Analysis

To gain a sense of Ohio's macroeconomic developments, data was gathered from county profile reports provided by the Ohio Developmental Services Agency (Loveridge and Nizalov, 2007). Key variables included the county's estimated population, percentage of land developed, as well as the number of financial, professional, and other business services. The 2018 estimated population was provided by the Ohio Development Services Agency, Office of Research. The 2016 National Land Cover Data Set created by the Multi-Resolution Land Characteristics Consortium provided the figures for percentage of land developed. And the Federal Deposit Insurance Corporation (FDIC) provided the information for financial services via their Financial Institution Directory. (Ohio Development Services, 2020) These data points were entered into a spreadsheet and filtered to establish prevailing trends based on various criteria. The statistics on business services are used as a proxy for business needs within Ohio and the percentage of land developed is used as a proxy for rural areas.

3.3) Township Official Opinion Data

Narrowing focus to a more micro-economic viewpoint of the state's professional service needs, a survey was sent out to members of the Ohio Township Association (ODS, 2020) (Appendix A). This survey was implemented using the Google Forms application and sent to the following contact books: OTAN (Ohio Township Administrators Network), CLOUT (Coalition of Large Ohio Urban Townships), Zoning Officials, and the OTA Board of Directors. The survey gathered surface level information such as the name of the township and the county it resided in as well as financial information, most importantly their general fund balance. Beyond data population, subjective questions were asked of these government officials as a means of generating a majority opinion regarding township needs across the state. Interest in an economic development effort like the one implemented in Milan was gauged through questions regarding professional service needs in the official's community. The entity's general fund balance was used as a litmus test to determine the entity's ability to support a program of this kind. Further questions regarding state funding were used to see if project support was hindered by a township's chary and frugal use of funds.

3.4) Discounted Cash Flow Analysis

A discounted cash flow model was created using the conditions present in Milan Township. The location of Milan was selected for the following three reasons. First, Milan Township is a predominantly rural area that does not have proximity to a major metropolitan area. Second, the township contains an incorporated village that has an area of commerce of around twenty businesses. Third, the township had a derelict government building within the area of commerce that could be renovated into a business incubator program. These sets of conditions are desired for implementation as the area of commerce will provide additional foot

traffic to the start-up business, and using an existing government building will lessen the cost of program implementation incurred by the government entity. Example data was obtained from a professional service company that currently operates in the village and within the area of commerce (Appendix B). The professional services firm will be referred to as Services Firm A throughout this paper to remain anonymous for confidentiality reasons. They have been in operation for 26 years and as such, the income stated in the data is one of an established business. To reflect this in the DCF model, the income reported will not be achieved until the 10th year, with a 5% cumulative discount in the years preceding. The village's income tax rate was used to determine the tax-basis benefit of the program. The discount rate used was the percent return earned in 2019 by Star Ohio, the typical investment vehicle of government entities. Figure one below outlines the assumptions made in the model.

Table 1: Discounted Cash Flow Model - Inputs

Village Income Tax	1%
Example Net Income	\$109,466.43
2019 Star Ohio Return	2.36%

Years	1	2	3	4	5	6	7	8	9	Years 10 - 30
Net Income	\$60,206	\$65,679	\$71,153	\$76,626	\$82,099	\$87,573	\$93,046	\$98,519	\$103,993	\$109,466
Village Tax	\$602.06	\$656.80	\$711.53	\$766.27	\$821.00	\$875.73	\$930.46	\$985.20	\$1,039.93	\$1,094.66
Abatement	\$(7,000.00)	-	\$7,000.00							

3.5) Implementation

To further illuminate the financial ability of Townships to execute program implementation, a rural business incubator program was initiated and is in progress within Milan Township. Initial presentation of concept to the Milan Township Board of Trustees occurred on May 2, 2018 (Arthur, 2018). After receiving approval to continue program development, work was conducted with the Township Trustees to outline the program's mission as well as the structure, application process, and various other aspects. Conversations were also conducted with Milan Village Council and the Erie County Economic Development Corporation regarding additional abatements as well as programmatic structure. The pre-existing conditions of the building were drawn, and the most efficient layout was deliberated. Figure two shows the building's original layout including the village's administrative office as well as the police chief's office. Being constructed in 1886, the police chief's office even contains the original barred jail cell.

Figure 1: Building - Front Façade & Layout



With the methods behind the case study clearly established, attention will now turn towards the results obtained from the aforementioned sub-units.

4) RESULTS

As seen in the previous section, a single case study with embedded units was selected to analyze the atmosphere present within the midwestern state of Ohio. The approach of the analysis was to assess the circumstances within the state that have perpetuated the decay seen within rural areas as well as to gauge the willingness of rural areas to take an active role in revitalization through the implementation of a business incubator program. What was observed was that the state of Ohio is experiencing various levels of growth concerning the number of professional service businesses throughout the state. This growth when viewed in counties with lower levels of developed land is much less than those with a higher developed land percentage. As outlined in the methods section, the metric of developed land percentage is used as a proxy which defines both the proportion of rural areas and the density of metropolitan areas within the county. Township officials also recognized the need for professional services within the economic development survey and most officials reported a specific underserved industry within their community. This survey also identified the ability to support a program of this type via the number of vacant storefronts reported and the average general fund balance of the townships. In the process of program implementation within Milan Township, community support was well received, costs of implementation were alleviated through the awarding of grants, and the availability of a government owned storefront provided a proper location for establishment. Detailed elaboration of the sub-units further illuminates the findings.

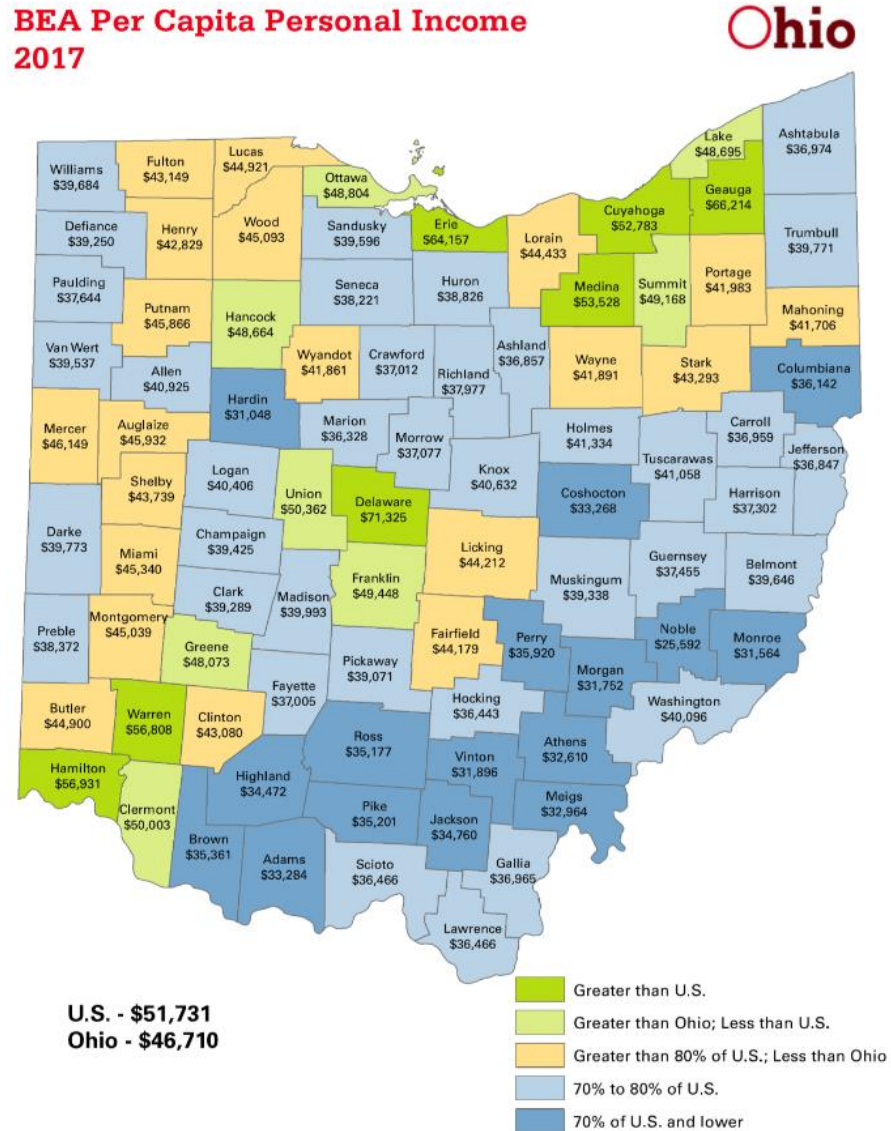
4.1) Analysis

The macro-economic analysis of Ohio depicted a stable economy that has pockets of economic contraction. Since 2012, 12.5% of counties in Ohio have seen either no growth or a reduction in the number of financial, professional, and business services offered. 25% of counties in Ohio have seen null or negative growth in the number of financial services offered. 17% experienced a reduction in the number of professional and business services offered. Beyond the development, or lack thereof, that counties have seen regarding financial, professional, and business service establishment, 37 of the 88 counties have been deemed as distressed by the Ohio Development Services Agency (ODS, 2020). This designation is given to a county that fits two of the three following criteria as outlined by The Ohio Department of Development (ODS, 2020).

- Unemployment must be 125% or greater of the most recent U.S. 5-year average unemployment rate.
- Per Capita Income must be at or below 80% of U.S. per capita income.
- Poverty is defined for counties as a percentage of transfer payment income to total county income equal to or greater than 25%.

A visual representation of the income disparity can be seen in figure two which depicts the county by county per capita income in comparison to national values (ODS, 2020).

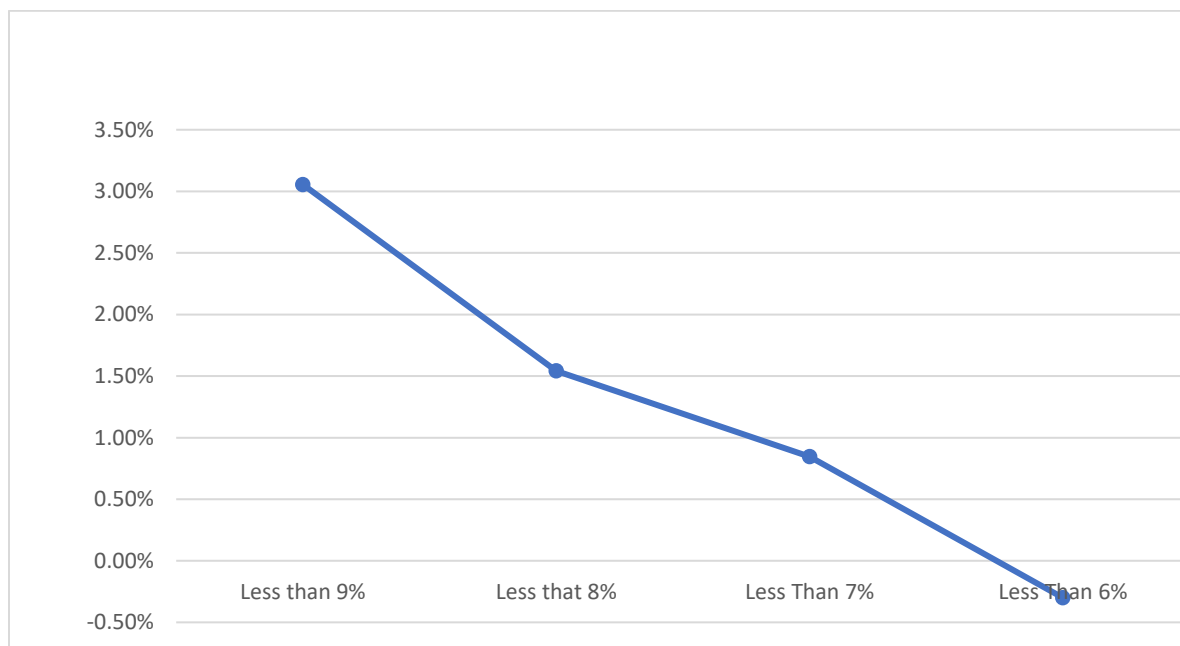
Figure 2: Ohio Per Capita Comparison



This disparity is recognizable even without the data. State Representative D.J. Swearingen (R – Huron) identified one such area when discussing the Milan project: “There are areas of the State, particularly in Southeast Ohio that are underserved. People in rural areas need professional services just like they do in other areas” (D.J. Swearingen, personal communication, 3 April 2020). This need can be further identified when specifically looking at the employment

growth rate within the financial sector. As you can see in figure three, counties experienced varying levels of growth based on their size. On average, counties with less than 9% developed land have grown thrice that of counties with less than 7% developed land. The growth was compared on a proportional basis. With a visible inequality between metropolitan and rural areas, it becomes apparent that if nothing changes then the previously outlined disparity will continue to grow.

Figure 3: Growth in Financial Employment by Developed Land %



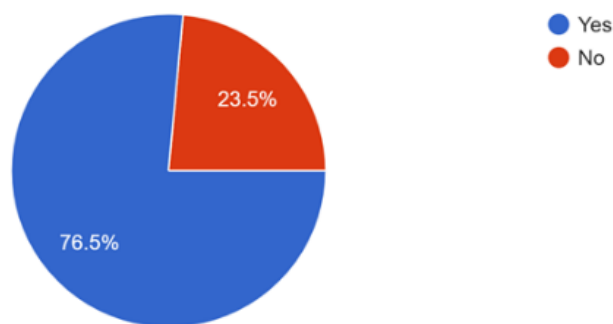
4.2) Township Opinion Data

The survey yielded responses from 51 township officials. These 51 responses created a survey population that represented 43 different townships spread across 28 counties. The breadth of counties contained within the survey provided good representation for the population of the State of Ohio. From Fulton County in the northwest, Hamilton County in the southwest, Monroe

County in the southeast, and Trumbull county in the northeast the survey yielded opinion data from various geographic and demographic areas. Data was gathered from both Washington Township, a population of 56,000 and an annual budget of over \$10 million, and Bemton Township, a population of 312 and an annual budget of \$250,000 or less. With a large population range and variance in budgetary allocation, the survey can convey programmatic interest for all types of rural areas, metropolitan adjacent or isolated.

The following contains the results from the survey. As a gauge for the area's business establishment needs, 76.5% of township officials believed that their township could benefit from a new professional service.

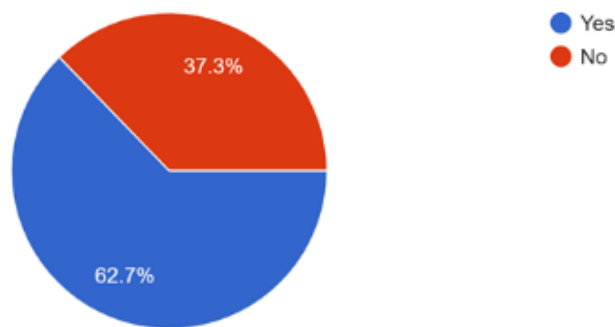
Could your township benefit from having a new professional service provided locally?
51 responses



72.5% of respondents reported a specific professional service need within their township. Legal (49%), Tax (41.2%), Financial (39.2%), Architectural (39.2%), and Healthcare (52.9%) services were in the highest demand, as described in the survey. The response summary below outlines the availability of retail space, which serves as a proxy for an entity's opportunity for program establishment. Roughly 3/5 of township's had such availability. An example of a conducive atmosphere for this type of program can be seen in Tuscarawas county: "(We have) a

few empty storefronts. They have been occupied in the past five years, so they are in good aesthetic and general condition” (M Lautzenheiser, Sandy Township Trustee, personal communication, 23 Feb. 2020).

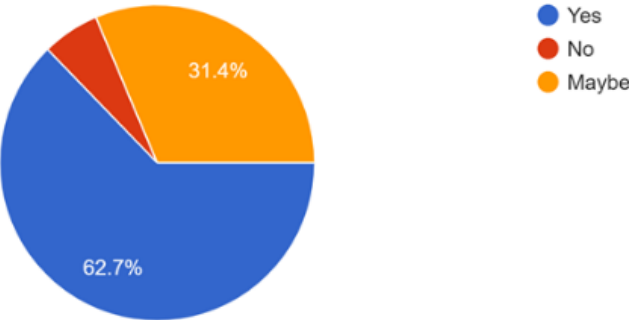
Are there vacant commercial buildings or business storefronts located in your township?
51 responses



The final set of questions showcased the conservative nature of townships across the state. When asked if the official's township would consider providing abatement incentives, over half of the respondents selected "maybe" for an answer with another quarter choosing "no". This response comes even though the average general fund balance of the townships within this survey group was \$2.5 million. Fund balances that large is beyond enough to establish a business incubator program within the area. What was interesting is that when the scenario changed to include state funding behind the program, there was a paradigm shift towards supporting the incubator program. This is attributed to Ohio townships being good stewards of their area's taxpayer dollars. They encompass 35% of the state's population but only account for $\approx 11\%$ of the local expenditures and 15% of the local taxes (Cox, 2019). This opinion shift suggests that state interaction with program funding could be a catalyst for widespread implementation.

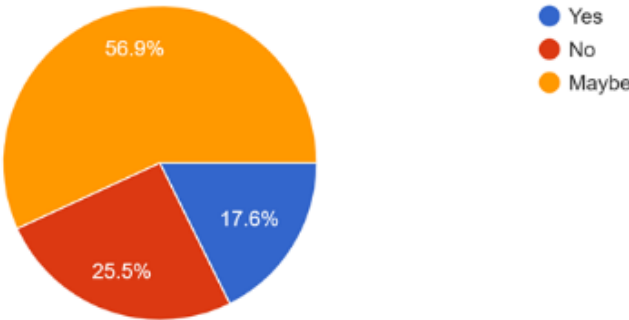
If the state were to provide funding for these programs, would your township be more likely to participate in the economic development effort?

51 responses



Would your Township consider providing an incentive to professionals whether through tax, rental, or utility abatement as a means of bringing the services they provide into your township?

51 responses



4.3) Cash Flow Analysis

Table 2: Net Present Value Outputs

Outcomes	Year	NPV
Transitions out of Village	0	1,567.00
Failed Business	2	2,996.00
Success	10	7,074.00
Cornerstone Business	30	20,217.00

To represent the reality that businesses fail, various outcomes were given in this net present value calculation ranging from 0 additional years beyond program completion to a 30-year business. In all possible outcomes, the NPV is positive. A factor not rendered in the calculation but present in Milan Township's project is the renovation costs to update the building. Since this cost is not always incurred, as an entity could simply budget rent expenses leaving building selection to the program's tenant, the effect of renovation is not factored into this analysis. But as realized in the Milan Township's project, renovation costs can be reduced in various ways such as community grants or self-performing a portion of the work.

The impact on tax basis shown is to serve as a base benefit of the project. Another impact that cannot be quantified is the ripple effect that a rooted small-town business can have on a community. Services Firm A reported \$171,500 in expenses (Appendix B). Whether it is paying the salary of an associate, eating lunch at the local diner, or sponsoring a little league team, a firm's contributions to the community is more profound than the present value of tax revenue. State Senator Theresa Gavarone (R – Bowling Green) a small business owner herself, encapsulates the impact best: "They give back to the community in a myriad of ways, some ways you cannot quantify" (T. Gavarone, personal communication, 6 Apr. 2020).

4.4) Implementation

One of the first things established was the mission of the incubator which is best outlined by Milan Township Trustee Chairman Gerald Nickoli: "We believe our investment in renovating this building will result in realizing the long-term benefits of having new, exciting businesses serving our residents and keeping our commercial storefronts filled around the Public Square" (G. Nickoli, personal communication, 20 Mar. 2020). With public square revitalization being a

main goal of the township, the application was structured to vet an entrepreneur's interest in the Village of Milan. As seen in Appendix L, the potential tenant must describe how Milan is the correct location for their business. This type of question hope to generate community retention rates similar to the 84% seen in prior literature.

As the framework documents were beginning to take shape, presentations were made to both the Milan Village Council and Erie County Economic Development Corporation (ECEDC). The presentation to the Milan Village Council contained Appendix G, a letter from the Milan Township Trustees outlining the program and requesting collaboration through utility abatement. To clarify this project's relationship with ECEDC, Appendix H was written to define our collaborative nature, including an invitation to participate in ECEDC's entrepreneur development program called RISE.

With the foundation laid, awareness was raised with the publication of Exhibits C & D. Getting the program out in the public eye allowed for a guage of both interest and outrage. It is fortunate that the citizens of Milan generally mirrored the opinion of State Senator Theresa Gavarone: "With incubator services, I think that's a great idea. It's a great way to help a business start out and set people up for success, especially if there are mentors" (T. Gavarone, personal communication, 6 Apr. 2020).

Seeing no negative feedback from the project's implimentation, focus shifted to renovation efforts. Exhibit E was the original renovation cost estimate which came in high at \$45,000. While a \$10,000 grant was awarded, the funding process then stalled, as the Township was awaiting another grant decision. During this time, The Station's program coordinator and a Milan Township Trustee donanted the necessary labor needed to strip the building down to its barren shell. That effort, coupled with contractor bids being lower than the original estimate,

resulted in a lower total construction cost as shown in Exhibit F. With a \$20,000 cost savings, the Milan Township Trustees were excited to proceed with the renovation.

It is important to note that the included appendix is to provide an outline for program replication. From the structure of the incubator council (Appendix J) to the tenant goal sheet for the current fiscal quarter (Appendix P), this paper hopes to spur interest in local economic development and assist other rural communities in establishing a similar business incubator program.

5) DISCUSSION AND IMPLICATIONS

With the understanding provided by the literature review and the reality seen in the case study, various propositions emerged as a means of satisfying the deficiencies viewed. Due to the decaying atmosphere of rural communities, the inefficiencies of current economic development tools, and the ability of rural areas to implement a community engaged business incubator program, there is promise that the vitality of a rural area could improve through program establishment. The following elaborates on this argument in detail highlighting the individual factors that make up its foundation.

Rural areas are experiencing a decaying atmosphere.

As viewed in the literature, rural areas are experiencing a decline in population growth, an increase in population age, and a decrease in the area's tax base. This reduction in vitality is a result that stems from a trend in migration by area young adults towards metropolitan areas. With a stagnate population, the age of the area's constituents will continue to rise, on average, and this transition to a "retirement community" will result in a lower tax base for the governing entity.

With a lower tax base, less capital expenditures or infrastructure improvements will be made, creating a cycle of decay within the community both physically and socially.

Current tools provided to rural areas are not sufficient in developing the local economy.

Local government entities are currently able to leverage tax abatements as a means of attracting new business establishment. Prior research shows these methods to be widely used, marginally beneficial, and sometimes unnecessary. Arguments are made that, due to their widespread use, that tax abatements are not effective at swaying business location since they are perceived as an expectation and no longer a perk. As seen in literature, tax abatement incentives are also much more prevalent for rural areas that are adjacent to metropolitan areas. When the rural area is not adjacent, the incentive is a waste of a tax break. Specific arguments aside, in viewing the trend of rural area decay a determined by population growth, age, and tax base, it is apparent that the current economic development tools afforded to rural areas have not provided the necessary growth to maintain vitality.

By involving the civic community and providing more transaction cost support incentives will provide a greater impact to the local business.

The literature review highlights the necessity of involving the civic community as it pertains to rural economic development. Due to the close-knit nature of most rural communities, an initiative would be more effective if the community is given self-determination and autonomy in the selection process. This communal autonomy is not present in tax abatement policy as the basis of the tax credit typically revolves around job creation, building renovation (brownfield), or new building construction (greenfield). There is also a deficiency within prior literature regarding economic development initiatives within rural communities that have active community involvements. Due to the perceived benefit of involvement and the deficiency within

prior research, it is theorized that involvement from the civil community will be beneficial for program efficacy.

5.1) Proposition 1: Current economic development tools provided to rural areas are inefficient at reversing decaying trends seen within those rural areas and could be due to a lack of community involvement.

There exists a deficiency regarding the implementation of business incubators within rural areas.

In understanding the climate of business incubators throughout the United States, it comes to light that only 7% of business incubators are found within rural areas. Further, a quarter of states do not have any business incubators located within a rural area. This deficiency stems from the constituent base found in rural communities. With metropolitan areas having a larger voting pool, it is typical to see governmental economic development funding allocated to those areas and not to rural areas. This could also stem from the fact urban entrepreneurs are more profitable, on average, than rural entrepreneurs. However, in comparing entrepreneurs to workers within their respective areas, rural entrepreneurs earn 15% more than rural workers. This shows the benefit of entrepreneurship with the rural areas as a means of increasing vitality.

Rural areas have an immediate need for services within their community.

Analyzing the atmosphere of the State of Ohio, rural communities are underserved by professional services. On a county wide basis, it was observed that counties with lower percentages of developed land experienced less growth in financial employment. Over half of the counties throughout the state of Ohio saw a reduction or stagnation in either their professional or financial service atmosphere. On a township wide basis, the economic development survey further identified that 72% of respondents had a professional service need within their area.

Rural areas have the atmosphere and funds needed for program establishment.

With an average general fund balance of \$2.5 million within the survey pool, the ability of townships to fund a program of this type is satisfied. In determining the atmosphere of rural area, 62.7% of respondents reported vacant commercial buildings or storefronts within their township that could be a potential base for the program. From the economic development survey, township officials expressed interest in the program and particular interest when there is state government funding assistance. As viewed in the real-world implementation of the program, Milan Township had the vacant storefront, the general fund balance, and most importantly, the civic involvement to assist in the selection process.

5.2) Proposition 2: While deficiencies exist regarding small occupancy business incubator programs within rural areas, there exists a need for business development with those areas and these entities have the atmosphere needed to support a program of this type.

At the current rate of decay, township entities throughout the country are losing their tax base as a result of an aging population and out-migration.

Proposition one outlines the decay in rural areas on the basis of population growth, age, and tax base. Literature provided by the Federal Reserve board of Kansas City shows the estimated 5.3% increase of the 65 and older age segment to result in income tax revenue per capita to be reduced by 2.4%. This reduction will add economic strain to local government entities that depend on the tax to complete capital improvements and other projects. This strain will result in selectivity of disbursements and if cyclical, slowly reduce the attractiveness of the area perpetuating the tax base reduction.

While there may be some upfront costs such as building renovation or program fund allocation, through the use of grants, a municipal entity is able to increase affordability.

In viewing the process of implementation, the Milan Township project had an initial building renovation cost estimate of \$45,000. They were able to receive a \$10,000 grant towards to project bringing the cost down to \$35,000. Through pro-bono labor provided by community members in conjunction with bid prices being lower than expected, the total renovation cost came out to \$13,327. This is to showcase the affordability of the project from a municipal standpoint. If the entity does not have a vacant government space, it is entirely possible for them to purchase a location for this purpose, renovate it, and implement the program with reduced costs.

Once established, the incubator program becomes net positive from a tax base perspective.

Compounding on the ability of an entity to fund a program, once a program of this type is implemented, it becomes a net positive from a tax base perspective. As seen in the NPV calculation, simply having the business operating out of the storefront for the duration of the program will provide additional tax revenue. This most basic of inputs is to showcase the nature of the program's benefits at the bare minimum. Government entities acting in the best interest of their constituents should understand that with a longer time horizon and the ability of the program to compound successful businesses, the ripple effects seen within the local economy will be profound. This is on top of the compounding tax base increase seen by multiple successful businesses.

5.3) Proposition 3: The implementation of a business incubator program within a rural community will mitigate and/or correct the current trend in tax base reduction, ultimately contributing to an increased vitality of the area.

One way to study the implications of this theory is to implement a policy that follows the aforementioned propositions and observe the economic development that stems from its establishment. As seen in the methods, one such area that will serve as a flagship case for observation is Milan Township's STAND program.

The current structure of the program is for potential tenants to participate in an application process which includes a building utilization plan. Selection will be made by an advisory board consisting of various local government representatives and community professionals. Factors such as the viability of the business plan, targeted community needs, and potential for long-term success will assist the board in choosing the future tenant. Tenants will be enrolled in this incubator program for a three-year period. The scaling of abatement provided to the tenant hopes to alleviate much of the financial burden present during establishment and is as follows:

- Significantly reduced Rent:
 - Year 1: Tenants will pay \$0 per month (similar space in Milan costs \$750/month).
 - Year 2: Rent cost will transition to \$250 per month.
 - Year 3: Rent cost will become \$500 per month.
- Significantly reduced cost of Electric, Water, and Sewer Utilities:
 - Year 1: A \$1000 utility credit is provided to the tenant.
 - Year 2: A \$500 utility credit is provided to the tenant.
 - Year 3: Full cost of utilities will be paid by the tenant.

The police station has historic significance, built in 1886 and originally serving as both the administrative and police department of the village. While the building itself has significance, Milan Township Trustee Gerald Nickoli also understands the significance of the project as being bigger than just one community: "We believe many townships across Ohio can

implement a similar program to support and encourage new businesses while filling vacant spaces within their own communities” (G. Nickoli, personal communication, 20 Mar. 2020).

This implementation and observation of future performance will be used to systematically address and observe how the propositions play out. It is assumed that rural areas are more efficient when given self-determination and autonomy. Milan is providing that autonomy through a different lens, being a business incubator. The community will have the ability to attract and retain the right businesses for their individual community.

While the purpose of the program is to instill civic community involvement as a means of proper business selection and that each rural area will have their own factors of influence, a particular subset of businesses appears to be well suited for this type of initiative. When considering economic development programs, there must be an objective in mind. Depending on the objective, an area may attempt to recruit a specific industry. For example, if job creation were to be the goal of the economic development program, then manufacturing firms will be the target. This stems from the reality that different industries have varied growth prospects, turnover rate, profitability, and so on. With the goal of this program being to revitalize rural areas and for the revitalization to occur in the form of population growth, mean age reduction, and increased tax base, one particular industry stands out. When combining those goals with the understanding that rural areas will not have unlimited resources to fund the project, the theoretical program gravitates towards the niches in the retail/service area, which can be successfully serviced by small firms. This type of economic activity provides local employment and encourages area spending (Gladwin, et al., 1989). Support for the professional, scientific, and technical service industry can be found in prior research. Found to be driving the results of the services industry, the professional, scientific, and technology service industry is shown to be

more profitable and have higher sales revenues than the other industries. Also, owners of these sub-segments are more likely to perceive they have a competitive advantage and have an overall higher survival rate. Numerically, the industry is 7% more likely to earn a profit and 21% more likely to survive (Boudreaux, 2019). With all these factors in mind, the professional services industry appears to be the most efficient industry to target for rural incubator programs.

5.4) Limitations

With the nature of this case study, certain limitations must be acknowledged. In defining the context of the phenomenon experienced within rural areas, no explanatory reasons are given through the study of a single case. Without explanatory reasons being provided, no causality can be established between the phenomenon and its context. This being the case, the framework established within Milan Township may not be generalizable to a national context.

There are also several biases and risks associated with this study. The economic development survey received 51 respondents. These 51 respondents could have a response bias that stems from their support of economic development. There also could be a nonresponse bias present in those township officials that did not respond due to their belief that the economic development initiative was not a good use of taxpayer funds. Further, the sampling group was township officials throughout the state of Ohio, and this creates a sampling bias. Township officials within another state could have a different majority opinion on the same questionnaire. The risks associated with this work is that the assumptions made within the net present value calculation could be wrong. If a business is less successful than estimated, the abated costs could end up being greater than the tax revenue generated by the business. Attention will now turn towards suggestions for future research.

6) FUTURE WORK

Suggestions for future research include a detailed multi-case analysis behind the propositions outlined in this body of research. Using the Milan Township program as the basis of knowledge, upon graduation of 3-5 businesses, analysis should be completed using their complete financial data and various proxies such as the property value within the village of Milan as one metric. With further research, generalizable causality could be provided.

Beyond research, there is future work associated with the implementation of the program within Milan Township. With the revised cost estimate, which includes contractor bids and demolition savings, a presentation will be made to the Milan Township Trustees to formally approve appropriation for the remainder of the renovation costs. Meetings will soon commence with the selection committee to finalize the application process. Awareness of the incubator program will continue to grow through additional conversations with state legislators and other township officials. This project currently is under consideration for presentation at the Ohio Township Association's 2021 winter conference. Current work is also being done with State Senator Theresa Gavarone to outline the process of creating a statewide grant program for a venture of this type.

It is also important to note that a lot has changed since the onset of the COVID-19 pandemic. There has been some deliberation regarding the continuation of The Station project amidst this crisis. The final decision is best encapsulated by State Representative Craig Riedel, "I think this is a great idea. Certainly, in the bull market we have had, people would take advantage of the opportunity, and there would be no problem getting it utilized. But even with that being said, I think there is no question we are going to pull through this....As soon as funding is received, I would move forward with the project"(C. Riedel, personal communication, 6 April

2020). This project is indeed moving forward with renovations on schedule. The Milan Township Trustees expect that a tenant will occupy the space in the fall of 2020.

7) CONCLUSIONS

The incubator program formulated from the realities described in the propositions has considerable promise to spur economic development and increase the vitality of rural areas across the State of Ohio. State Representative Craig Riedel (R – Defiance) concurs with The Station’s mission in saying, “Especially in rural Ohio. we have to be creative in how we assist our citizens in achieving success, particularly when it comes to start up activity” (C. Riedel, personal communication, 6 April 2020). In identifying the deficiencies of incubators within rural areas and the lack of civil community involvement within economic development, a programmatic solution incorporating an actively involved business incubator hopes to show greater economic impact than current tax abatements.

An appetite for more information is clearly evident from the Ohio Township Association and its membership. The physical implementation of the program in Milan will serve as an both an example of its structure and a showcase for what one can accomplish. As seen in the tax revenue NPV calculation, a venture of this type would also serve as an effective use of taxpayer dollars due to the increased tax base. This benefit is only surface level as the purpose behind economic development is not for an increased tax base but to revitalize the local area.

APPENDIX

Contained within this appendix are the various documents used to convey interest, establish the framework, and physically impliment the incubator program in Milan, Ohio. The placement of these various documents within this paper is in the hopes that other rural areas will use them as reference pieces to establish a similar program. It is important to note that this framework fit the community of Milan due to various factors: an involved community, a vacant government building, and an incorporated village that could provide utility abatement. Each community should be viewed on a case by case basis with the resulting program tailored to the area's specific objectives as well as constraints. If a community is unable to renovate a government space, then rent abatement may be provided in the form of reimbursement. The documents contained below are a good framework to start that conversation and hone those objectives.

Appendix A: Ohio Township Economic Development Survey

6/25/2020

Economic Development Initiative: Incubator

Economic Development Initiative: Incubator

A business incubator is a place where aspiring entrepreneurs receive community assistance & professional guidance, allowing them to get over the initial hurdles often faced when starting a new business. These incubators are typically found in large metropolitan areas and often serve multiple tenants located in a large building. However, I believe that the entrepreneurial spirit needed to start a small business is alive and well in small, rural communities.

This survey data will be incorporated into an academic paper outlining the feasibility and impact of an economic development initiative that brings professional services to underserved areas throughout the state of Ohio.

* Required

1. Name of Township *

2. Name of County *

3. Population of Township (Per 2010 Census)

4. Name of Trustee *

5. Does your township include an incorporated village? *

Mark only one oval.

☐ Yes

☐ No

6. Is there an area within your township where multiple businesses reside in close proximity (a place of commerce)? *

Mark only one oval.

☐ Yes

☐ No

7. Are there vacant commercial buildings or business storefronts located in your township? *

Mark only one oval.

☐ Yes

☐ No

8. If yes, please describe this environment within your township (general number, condition, and location of these buildings).

(Appendix A Cont.)

6/25/2020

Economic Development Initiative: Incubator

9. Are your township residents in need of any professional services such as attorneys, accountants, architects, doctors, health professionals, financial planners, insurance agents, etc? Select all that apply. *

Check all that apply.

- ☐ Legal Services (Attorney)
☐ Tax Services (Accountant)
☐ Architectural Services
☐ Health Professionals (Therapist, Physician, etc.)
☐ Financial Services (Portfolio Manager, Financial Planner)
☐ Insurance Services

Other: ☐ _____

10. Could your township benefit from having a new professional service provided locally? *

Mark only one oval.

- ☐ Yes
☐ No

11. Please select your annual budget bracket. *

Mark only one oval.

- ☐ \$250,000 or less
☐ \$250,000.01 - 500,000
☐ \$500,000.01 - 750,000
☐ \$750,000.01 - 1,500,000
☐ \$1,500,000.01 - 3,500,000
☐ \$3,500,000.01 - 6,000,000
☐ \$6,000,000.01 - 10,000,000
☐ Greater than \$10,000,000

12. What is your general fund balance as of Jan 1st 2020? *

13. Would your Township consider providing an incentive to professionals whether through tax, rental, or utility abatement as a means of bringing the services they provide into your township? *

Mark only one oval.

- ☐ Yes
☐ No
☐ Maybe

14. If the state were to provide funding for these programs, would your township be more likely to participate in the economic development effort? *

Mark only one oval.

- ☐ Yes
☐ No
☐ Maybe

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Google Forms

Appendix B: Milan Professional Service 2019 Profit/Loss Statement

Cash Basis

SAMPLE OF A PROFESSION SERVICE COMPANY Profit & Loss January through December 2019

Prepared by
Tina A. Frederick, CPA

	Jan - Dec 19
Ordinary Income/Expense	
Consulting Income	280,966.27
Expenses	
AUTOMOBILE	
Auto Insurance	781.40
GAS AND MISC.	6,337.53
Total AUTOMOBILE	7,118.93
Bank Service Charges	143.00
Advertising	1,430.00
Consulting Expense - Form 1099-Misc.	18,730.40
Depreciation Expense - Section 179	
Books	256.49
JEEP 2016	1,875.00
Total Depreciation Expense	2,131.49
Dues and Subscriptions	6,226.77
ENTERTAINMENT SUBJECT TO 100%	
Entertainment	2,215.78
ENTERTAINMENT LESS 100%	-2,215.78
Total ENTERTAINMENT SUBJECT TO 100%	0.00
Insurance	
Business Owner's Insurance	1,347.00
Disability Insurance	890.00
Health Insurance - new in 2010	1,260.00
Liability Insurance	7,143.00
Term-Life Insurance-employee	131.50
Total Insurance	10,771.50
Licenses	30.00
Materials-COGS	13,000.00
Meals-100%	3,292.85
MEALS SUBJECT TO 50% LIMIT	
Meals	3,690.73
MEALS LESS 50%	-1,845.37
Total MEALS SUBJECT TO 50% LIMIT	1,845.36
Miscellaneous	0.00
Payroll Expenses	55,651.50
Permits	3,269.89
Postage and Delivery	365.21
Printing and Reproduction	1,619.32
Professional Development	44.00
Professional Education	6,183.42
Rent	9,420.25
Repairs	2,581.97
Supplies	6,462.82
Taxes	
Commercial Activity Tax	150.00
Total Taxes	150.00
Telephone	
- car phone	2,789.03
- office phone - local calls	1,681.01
Total Telephone	4,470.04
Travel	12,919.48
Utilities	
Trash	260.54
Electric	1,560.16
Gas	804.55
Sewer	334.68
Water	292.36
Total Utilities	3,252.29
Website Hosting	389.35
Total Expense	171,499.84
Net Ordinary Income	109,466.43

Saturday-Sunday, September 28-29, 2019

Register Weekender

Vol. 197, No. 129

Serving Erie, Huron, Ottawa and Sandusky counties

IL

The Register
SATURDAY-SUNDAY, SEPTEMBER 28-29, 2019 **B3**

STAND PROGRAM

Milan Township trustees unveil business incubator

By **MICHAEL HARRINGTON**
harrington@sanduskyregister.com

MILAN TWP.

After more than a decade left empty, Milan Township hopes a new business can breath life into the old police station on Church Street.

The township trustees will launch the Small Town Assistance, Nurturing and Direction Program, a business incubator, later this year to find a tenant for the building.

"The old police station is significant in the history of Milan," trustee Dan Frederick said. "The Milan Township trustees are excited to give this important building new life while also supporting start up business in our community."

Constructed in 1889 as the village police station, the 600-square-foot building is an example of 19th century Italianate architecture. It's been vacant since the new village administration building was built in 2004.

The incubator program was designed by Frederick's son Nick, a current honors student at The Ohio State University's Fisher College of Business and a candidate for the Milan village council.

"I took an entrepreneurship course which touched upon what a business incubator does," Nick said. "I was having a casual conversation with my dad who said that they might turn it into a firefighter and police museum, but I thought it would be a good opportunity for a business incubator."

The three-year program works by subsidizing the building's rent and utilities to try to alleviate the financial burden on a new business. The monthly rent on the building is about \$750 and the utilities through the village are \$350 per month.

"By reducing the cost of rent and utilities, it can help a new business pay for the other expenses they need to be successful like proper equipment," Nick said.

At Wednesday's meeting, the village agreed to partner with the township on the project by waving up to \$1,000 in utilities the first year and up to \$500 in the second year.

"I always appreciate the township and village working together on projects," council president Ben Smith said. "This project is very exciting for both the township and the village in the sense that

it brings a new and exciting chance for a business to develop and grow right here in our historic town."

STAND Program subsidies:

■ Year 1 — \$0 per month rent, up to a \$1,000 off utilities for the year

■ Year 2 — \$250 per month rent, up to \$500 off utilities for the year

■ Year 3 — \$500 per month rent, full utilities

The business will also receive free help from a community advisory council comprised of members from accounting, law, real estate, banking, economic development and government representatives from the township and village.

"The board will offer guidance from the various professionals who can use their expertise to help get a new business on its feet," Nick said.

The incubator is working with the Erie County Economic Development Corp.'s Regional Incubator for Sustainability and Entrepreneurship (RISE).

"Our RISE program is looking forward to working more closely with the Milan community, town square and the new facility," corporation executive director Abbey Bemis said. "We're strong believers that small businesses and entrepreneurs help drive a healthy, sustainable economy and add greatly to quality of life in a community."

Since the building has been vacant for 15 years, it needs to be renovated, at an estimated cost of \$45,000, before a business can call it home.

"The township is willing to front half the cost and we're in the process of applying for grants to pay for the rest," Nick said. "If the grant doesn't come through I will have to have a conversation with the township to see if it wants to move forward at full cost."

The township has already received a \$10,000 grant from the Dorn Foundation and is waiting to hear about another grant before beginning construction.

The renovation will have to keep the jail cell intact because of the historic nature of the building, but three vaults inside will likely be removed because of the space they take up.

"With a small partitioned space like this, it would fit a business that requires an office space better than it would retail, but we are open to all business plans," Nick said.

Norwalk REFLECTOR

Thursday, June 27, 2019

www.NorwalkReflector.com

Milan Twp.

Business incubator to fill old cop shop

Township hopes plan will lead to new tenant for old station

By **MICHAEL HARRINGTON**

Tandem Media Network

MILAN TWP.

After more than a decade left empty, Milan Township is trying to find a business to fill the old Milan Police Station on Church Street.

The township trustees will launch the Small Town Assistance, Nurturing and Direction Program, a business incubator, later this

year to fill the building

"The old police station is significant in the history of Milan," trustee Dan Frederick said. "The Milan Township trustees are excited to give this important building new life while also supporting start up business in our community."

Constructed in 1889 to serve as the police station, the 600 square foot building is an example of 19th century Italianate architecture. It's been vacant since the new village administration building was built in 2004.

■ See STATION, Page A2



MICHAEL HARRINGTON/TANDEM MEDIA NETWORK

The old Milan police station has sat empty for 15 years, but a business incubator program hopes to bring new life to the historic building.

STATION

■ FROM PAGE A1

The incubator program was designed by Frederick's son Nick, who is a 2017 Edison graduate and a current honors student at The Ohio State University's Fisher College of Business.

"I took an entrepreneurship course which touched upon what a business incubator does," Nick said. "I was having a causal conversation with my dad who said that they might turn it into a firefighter and police museum, but I thought it would be a good opportunity for a business incubator."

The three-year program works by subsidizing the cost of rent and utilities on the building to try to alleviate the financial burden on new businesses. The township has already agreed to lower the rent and Nick is in talks with the village for utilities.

The monthly rent for the building is \$750 and utilities is \$300, but if the

village agrees both would be free the first year saving a new business \$12,600. The cost would then gradually increases each year.

STAND Program subsidies:

- Year 1 — \$0 per month rent, \$0 per month utilities
- Year 2 — \$250 per month rent, \$150 per month utilities
- Year 3 — \$500 per month rent, \$300 per month utilities

"By reducing the cost of rent and utilities, it can help a new business pay for the other expenses they need to be successful like proper equipment," Nick said.

The business will also receive free help from a community advisory council comprised of members from accounting, law, real estate, banking, economic development and government representatives from the township and village.

"The board will be offer guidance from the various professionals who can use their expertise to help get a new

business on its feet," Nick said.

Since the building has been vacant for 15 years, the building does need to be renovated before it can before a new business can fill it. The estimated cost of would be \$45,000

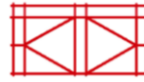
"The township is willing to front half the cost and we're in the process of applying for a grant to pay for the rest," Nick said "If the grant doesn't come through I will have to have a conversation with the township to see if it wants to move forward at full cost."

The renovation will have to keep the jail cell intact because of the historic nature of the building, but three vaults inside will likely be removed because of the space they take up.

"With a small partitioned space like this, it would fit a office space for a business are than it would retail, but we are open to all business plans," Nick said.

The township hopes to have the incubator program up and running by August or September.

Appendix E: Renovation Cost Estimate



DANIEL FREDERICK ARCHITECTS, LLC

30 PUBLIC SQUARE POST OFFICE BOX 10
MILAN, OHIO 44846
419.499.3242

www.frederickarchitects.com

April 5, 2019

Milan Township Board of Trustees
Zachary Rospert, Fiscal Officer
1518 SR 113 East
Milan OH 44846

RE: ALTERATIONS OF OLD MILAN POLICE STATION

Thank you for valuing my professional opinion as you plan the renovation of the former Milan police station for the purpose of occupying as a professional office building. The following construction cost estimate will be based on a review of existing conditions, required compliance with current Ohio Building Code standards, preliminary design sketches, and our experience with construction of similar projects:

1. General Contract work including:
 - a. Demolition of existing, non-compliant toilet room.
 - b. Demolition of various non-structural interior walls and finishes.
 - c. Demolition of non-accessible doors, frames and hardware.
 - d. Demolition of all obsolete HVAC equipment and ductwork.
 - e. Alterations to existing electrical work including new light fixtures.
 - f. Installation of new HVAC systems including proper ventilation.
 - g. Installation of new wall, ceiling, and floor finishes throughout.
 - h. Installation of new ADA unisex toilet room and accessories.
 - i. Installation of new exterior door with ADA hardware.
 - j. Construction of new exterior ADA entry ramp.
 - k. Cost of plan approval and building permits are included.

TOTAL CONSTRUCTION COST \$45,000

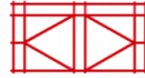
Notes:

Prevailing wage rates will not apply as cost is less than \$75,000 threshold.
Assume fees for building permits will be waived by Milan Township trustees.
Architectural services are being provided pro-bono at no cost (value of \$4,500).

DANIEL FREDERICK ARCHITECTS, LLC

Daniel J. Frederick, AIA

Appendix F: Revised Renovation Cost Estimate



DANIEL FREDERICK ARCHITECTS, LLC

30 PUBLIC SQUARE POST OFFICE BOX 10
MILAN, OHIO 44846
419.499.3242
www.frederickarchitects.com

April 5, 2019 (updated April 15, 2020)

Milan Township Board of Trustees
Zachary Rospert, Fiscal Officer
zrospert@gmail.com

RE: ALTERATIONS OF OLD MILAN POLICE STATION

Thank you for valuing my professional opinion as you plan the renovation of the former Milan police station for the purpose of occupying as a professional office building. The following construction cost estimate will be based on a review of existing conditions, required compliance with current Ohio Building Code standards, preliminary design sketches, and our experience with construction of similar projects:

General Contract work including:

Demolition of existing, non-compliant toilet room.	Work performed By Owner	\$0
Demolition of various non-structural interior walls and finishes.	By Owner	\$0
Demolition of non-accessible doors, frames and hardware.	By Owner	\$0
Demolition of all obsolete HVAC equipment and ductwork.	By Owner	\$0
Alterations to existing electrical work including new light fixtures.	Est.	\$4000
Installation of new HVAC systems including proper ventilation.	Bid	\$4800
Installation of new wall, ceiling, and floor finishes throughout.		\$10,257
Refinish hardwood floor bid \$1280, Epoxy floor est. \$1875, Drywall bid \$1372, Paint (materials only, labor by Owner) est. \$500, Carpentry for trim est. \$3000, new kitchenette and sink est. \$2500		
Installation of new ADA unisex toilet room and accessories.	Plumbing est.	\$2500
Installation of new exterior door with ADA hardware.	Est.	\$1000
Construction of new exterior ADA entry ramp.		N/A
Cost of plan approval and building permits are included.	Est.	\$500

TOTAL CONSTRUCTION COST..... \$45,000 Revised subtotal.....\$23,327
Less: Community Grant...\$10,000
Total Cost to Milan Township.....\$13,327

Prevailing wage rates will not apply as cost is less than \$75,000 threshold.
Architectural services are being provided pro-bono at no cost (value of \$2,500).

DANIEL FREDERICK ARCHITECTS, LLC
Daniel J. Frederick, AIA

Appendix G: Request for Abatement – Milan Village Council

BOARD OF TRUSTEES

Daniel Frederick
Gerald Nickoli
Mike Shover

FISCAL OFFICER

Zachary Rospert



MILAN TOWNSHIP

www.milantwp.org

MILAN TOWNSHIP

1518 State Route 113 E
Milan, Ohio 44846
419-499-2354

ZONING INSPECTOR

Colleen Arthur

September 19, 2019

RE: THE STATION, A SMALL TOWN ASSISTANCE & DIRECTION PROGRAM

Dear Milan Village Council,

The Milan Township trustees hereby request your assistance to establish a small business incubator where aspiring entrepreneurs receive community assistance and professional guidance to start a new business. While providing a new purpose for our vacant and historic police station, this incubator program will launch small businesses for the benefit of our entire Erie County community for years to come. Potential new businesses will be selected by a community advisory board based on viability of the applicant's business plan, targeted community business needs, and their potential for success. This new business will then receive professional guidance using the Erie County Economic Development RISE program (see attached letter) for a period of three years. And then the program will start all over again. We will continuously monitor this program based on the future success of incubator "graduates". A full description of our proposed small business incubator program is attached.

Your assistance is essential for the success this program as we are seeking subsidized utilities to contribute to the potential success of these new businesses. Specifically, we recommend that the Village of Milan match our format of providing "no cost" utilities for one year, ½ cost utilities for one year, and full cost utilities for the final year of each three year business incubator cycle. Milan Township will be following this formula for rent payments. In addition to providing the actual building and grounds, the Milan Township Board of Trustees is committed to investing approximately \$45,000 needed to renovate the 1886 Old Police Station to meet current building code standards, including energy efficient mechanical systems and improved handicapped accessibility. A detailed description of proposed improvements and estimated construction cost is attached. Once complete, this iconic building will be a perfectly sized building in an ideal location to provide a highly visible space for any potential start-up business. See attached floor plan and photographs of existing conditions.

Thank you for your consideration.

MILAN TOWNSHIP BOARD OF TRUSTEES

Dan Frederick, Mike Shover, Jerry Nickoli, Milan Township Board of Trustees

Appendix H: Letter of Support from ECEDC



Trustee Daniel Frederick
1518 St. Rt 113
Milan, Ohio 44846

July 2019

Dear Dan,

Thank you for meeting with our team to discuss Milan Township's goal of supporting area entrepreneurs through its envisioned economic development program – "The Station". We look forward to continued collaboration on this venture and others in the community through Erie County Economic Development Corporation (ECEDC) and the Regional Incubator for Sustainability & Entrepreneurship (RISE).

At ECEDC & RISE, we recognize entrepreneurs and small businesses are a critical component to the local economy as they are more likely to employ local residents and services, provide valuable training and skill development, and contribute to the unique sense of place and quality of life found in Erie County. However, forging a path as an entrepreneur is difficult. Studies have shown that just thirty percent of new businesses will make it past ten years in business.

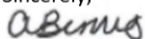
The Station is positioned to be a unique tool in helping small and new businesses achieve their goals and increased sustainability. With the program offering rent abatement and helping to subsidize the initial cost of doing business, it removes a major barrier to getting started – access to working capital. The process and publicity of being selected by The Station and its committee of local advocates will also assist a new business owner in raising awareness of their venture and gaining market share. Finally, the team at RISE is committed to assisting the occupant in developing and executing a strong business strategy.

The objective of RISE is to grow jobs and spearhead economic development by linking business owners and aspiring entrepreneurs to regional service providers who have experience in business start-up, development and acceleration. RISE services are provided in partnership with BGSU Firelands, the Great Lakes Innovation and Development Enterprise (GLIDE), and now the Norwalk Economic Development Corporation (NEDC). In its 9th year, RISE has worked with over 200 clients and has engaged more than 300 entrepreneurs in community programming.

Through RISE, The Station occupant (as well as other Milan area entrepreneurs) will have access to a monthly, free, one-on-one consultation with our seasoned business advisors. Advisory sessions practice "milestone mentoring" where clients are challenged to set short and long-term goals for their business and leave sessions with homework assignments and actionable steps towards those goals. Clients utilize the program for viability analysis, sales and marketing support, technical services, human resource techniques and more. Additionally, in an effort to foster a more vibrant entrepreneurial ecosystem, RISE offers monthly events that provide opportunities for area entrepreneurs to connect, learn, collaborate and encourage each other.

We look forward to working with The Station, its future tenants, and Milan leadership to build a welcoming, competitive place for future entrepreneurs.

Sincerely,



Abbey Bemis, Erie County Economic Development Corporation

Appendix I: Programatic Summary of The Station



A Small Town Assistance, Nurturing, & Direction (STAND) Program

A business incubator is a place where aspiring entrepreneurs receive community assistance & professional guidance so that they can get over the initial hurdles often faced when starting a new business. These incubators are typically found in large metropolitan areas and most often serve multiple tenants located in a large building. However, I believe that the entrepreneurial spirit needed to start a business is alive and well in small, rural communities. Currently, the Milan Township Trustees are in the process of re-purposing the former Village of Milan police station to become a single tenant incubator facility. Tenants would be enrolled in this incubator program for a three-year period. Selection will be based on viability of their business plan, targeted community needs, and potential for long-term success. This single tenant incubator program will mirror the same goals as larger incubator programs:

- Fostering and supporting an entrepreneurial climate in our community.
- Attracting important and absent businesses to help diversify the local economy.
- Increasing business start-up activity and improving their success rate.
- Spurring economic activity by creating new employment opportunities and increasing the tax base.

The former police station in Milan is a highly visible, iconic, and historic building. With close proximity to the town's area of commerce, it is perfect for developing a business. After receiving the applications, potential tenants will be vetted by a voluntary advisory board. This advisory board will consist of local professionals within the community. Localizing the selection committee is pivotal to the program as community members understand the area's business needs and clientele. The board will include professionals from a variety of disciplines including, accounting, law, real estate, banking, economic development, and government entities (Township Trustees & City Council). Having a wide breadth of expertise provides meaningful insight to any business that goes through the program. The Milan Township Trustees will oversee the entire program including formalizing the mission, establishing policies, and setting goals. The incubator program will alleviate much of the financial burden present when attempting to establish a new business such as:

- Significantly reduced Rent:
 - Year 1: Tenants will pay \$0 per month (similar rental space costs \$750/month).
 - Year 2: Rent cost will transition to \$250 per month.
 - Year 3: Rent cost will become \$500 per month.
- Significantly reduced cost of Electric, Water, and Sewer Utilities:
 - Year 1: A \$1000 utility credit is provided to the tenant.
 - Year 2: A \$500 utility credit is provided to the tenant.
 - Year 3: Full cost of utilities will be paid by the tenant.

By subsidizing the rent and utility costs for a start-up business to get off and running, it is expected that the entrepreneur(s) can focus on their growth and sustainability tactics such as marketing, employee training, or investment in equipment. Upon graduation from our three-year program, we hope that our community will benefit from a healthy and viable new business contributing to our local economy. It is at this point where the program will start all over again at Church & Center.

Nicholas Frederick, Honors Program, The Ohio State University Fisher College of Business

Appendix J: Incubator Council Overview

Incubator Council

A key component of any incubator program is the wisdom that an aspiring entrepreneur will receive from various individuals across multiple disciplines. This has been recognized as a key to success for incubator programs, Church and Center being no different. To position these entrepreneurs for the greatest chance of success, various community leaders have been contacted and asked to lend their services/advice to better enrich the program.

Required Disciplines:

- Accounting/Tax Services
- Real Estate
- Commercial Banking
- Legal Services
- Representative from the Township Trustees
- Representative from the Milan Village Council
- Representative from Erie County Economic Development Corporation

Duties:

As a council member, the individual will assume various duties. First and foremost, it will be this council that reviews the applications of potential tenants and, through an interview process with deliberation, select the tenant to go through the program. Once the tenant is selected, it will be expected that the council member will field any questions that the tenant may have involving their area of expertise. A final duty will be to give a singular presentation to the tenant at the onset of the program. This presentation is most essential as it will shine some light to the entrepreneur regarding common pitfalls seen in the council member's industry.

Duration:

A council member will assume the aforementioned responsibilities for the duration of the tenant's participation in the program. Should another application process be required or following the graduation of the current tenant, current incubator council members will have the option of impacting another entrepreneur or to resign from the council. It is highly recommended that if a council member retires from their role, they point the leadership at Church and Center to an individual they believe would be a good fit.

Appendix K: Incubator Council Contract

Dear Potential Incubator Council Member:

I would like to thank you for expressing interest in serving on the advisory board of The Station. I have no doubt that the collective unit of this council will provide exceptional guidance to some of the best entrepreneurs in Erie County. Please affirm your commitment below and I look forward to working with you. – *Nick Frederick (Program Coordinator)*

I _____ hereby agree to lend my counseling services to the business that is housed in The Station incubator program.

- ☐ I agree to serve in this advising role for the full duration of the tenant's occupancy, unless an extraneous circumstance prevents me from fulfilling my duties as a council member.
- ☐ I will advise the tenant through one general industry presentation and as questions arise from the client.
- ☐ These questions will be answered in a timely manner with a common understanding of external responsibilities.
- ☐ As a result of my consultation services, I understand that there is a chance that the tenant will use my company/services for situations that are beyond casual advising. I agree to not solicit the tenant towards the use of my company/services and will offer various options to the tenant. However, if the tenant selects my company/services I am able to charge fees.

Signature _____ Date: ____/____/____

Appendix L: Stage One Application

Application for Tenancy

Name: _____ Age: _____ Date: ____/____/____

Address: _____ State: _____ Zip code: _____

Please respond to the following prompts, allowing for us here at The Station to get a better understanding of your entrepreneurial spirit as well as intended business.

- Describe your business plan/model. (500 words)
 - Include a general overview of product/service.
 - Describe how this start-up will be funded.
 - Briefly touch on the circumstances that spurred you to become an entrepreneur.
- Why do you think Milan is the best location for your business? (300 words)
 - Does this area cater to your intended audience?
 - Does Milan have the capabilities to suit your desired growth?
- What do you hope to receive as a result of The Station program? (150 words)
 - How will The Station be an asset for you and your business?
 - What benefit is your business particularly seeking?
- Why should we believe in you? (150 words)

In addition to responding to the aforementioned prompts:

- Attach a resume to the back of this document.
- Please provide two references outside of friends and family.
 - Primary
 - Name: _____
 - Relationship: _____
 - Phone Number: _____
 - Secondary
 - Name: _____
 - Relationship: _____
 - Phone Number: _____

Stage One Interview Rubric

Appendix M: Stage One Rating Guidelines

In reviewing each of the potential tenants' applications, please score the submissions keeping in mind the following criteria:

- Business plan/model - XX/50
 - Does the individual appear to have thought their business prior to completing this application?
 - Does the individual convey a passion for what they want to do?
 - Does the plan seem executable for The Station's size and location?
- Why Milan - XX/20
 - Does the individual have a relative understanding of the local economy and the audience that Milan presents?
 - Does the individual convey some sentiment for Milan?
 - Do you believe that the individual will remain in Milan after finishing their duration at The Station?
- The Station - XX/10
 - Does the individual properly highlight aspects of the program and explain the importance of those aspects as it relates to their business?
- Individual Confidence - XX/10
 - Does the individual state a personal anecdote or other circumstance which shows resiliency and/or proficiency in the industry they will be entering?
- Resume Past Experience - XX/10
 - Precedence towards experience in the field they are structuring a business in. However, all professional experience should be considered.

Appendix N: Second Stage Interview Structure

Stage Two Interview

The council will select 3-5 finalists to interview in person. Prior to this interview, the potential tenant will tour the building and they will be expected to describe how the building will be used to its greatest potential while maintaining its historical appearance. A plan of The Station will be provided to them for this presentation.

Interview Sequence:

- Building Pitch
 - Using design plans of the incubator.
- Defining the individual (STAR Questions) and their intentions
 - Tell me about a time you faced a conflict. Outline the situation and how you resolved it.
 - During the first year of the program, you will not be required to pay for the building's rent as well as the majority of common utilities. How will you use this additional capital to grow your business?
 - Tell me about a time you interacted in a team setting. Describe the role you took and how you interacted with others.
 - Where do you see yourself going after your time at The Station is concluded?
 - Is there any specific direction or guidance you are looking for from the program and its mentors?
- Do you have any questions for us?

Over the course of the next few weeks we will be interviewing the remaining candidates and deliberating who is most qualified to become the tenant. We will be sure to reconnect regarding our decision regardless of if it is in the affirmative or negative. Thank you for taking the time to come in and answer our questions.

Appendix O: Tenant Acceptance Contract

Dear Potential Tenant:

I am extremely excited to inform you that we here at The Station have decided to select your business as our focus startup. We look forward to working with you over the course of the next three years and hope that as a result of your time here you will have a better understanding of how to run your business as well as better footing within the local economy. Please affirm your interest to participate in The Station program: – *Nick Frederick (Program Coordinator)*

I _____ do hereby confirm my participation in The Station program. I agree to be have my company guided for the duration of three years by the advice of the incubator council.

- ☐ I agree to serve as an external resource, one that future tenants of the Station could call on for guidance. This includes giving one presentation of my experience to the tenant that follows my time at The Station.
- ☐ I agree to release my income tax report and various other company financial statements to The Station for the three years my company is in the program as well as for five years following my time at The Station. I understand that these documents will be used exclusively for research purposes, with names removed and not released otherwise.
- ☐ I agree to take all advice by the council into consideration, to have an open mind when it comes to my business model, and to believe in the council as they have a belief in me.
- ☐ I agree to create only aesthetic changes to the layout of the station. I understand that at the conclusion of my time here, the building shall be returned in the same condition as received, excluding normal wear and tear from casual use.

Signature _____ Date: ____/____/____

Appendix P: Tenant Goal Sheet for Fiscal Quarter

Fiscal Quarter Objectives:

Every quarter you will fill out a goal sheet outlining what you would expect your company to accomplish during that time period.

- For example, this could be launching a new product, meeting a revenue goal, or achieving a certain number of email subscriptions.

This goal can be whatever your business is desirous of achieving. It is also important to note that this will be a goal and not a checkpoint. The Station will periodically remind you of your desired objective and guide you towards achievement but it will be up to your personal drive to ensure they are met.

For this fiscal quarter I would like to see my business achieve:

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